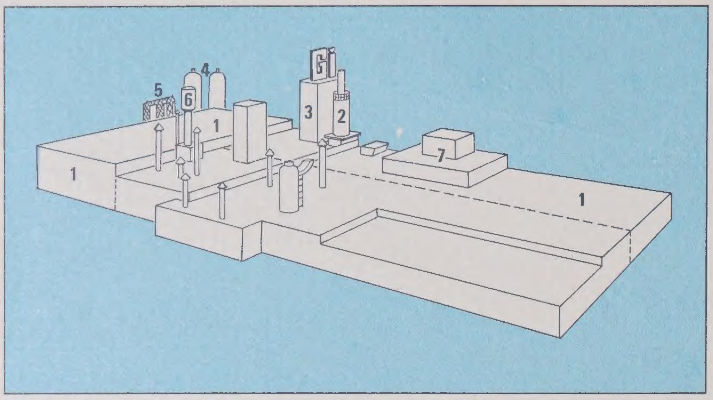
GALT MALLEABLE IRON LIMITED

Annual Report 1969



1 Overall building addition comprising approximately 25,000 square feet.

2 Central dust collection system filters all exhaust fumes, dust, etc. from the total foundry operation.

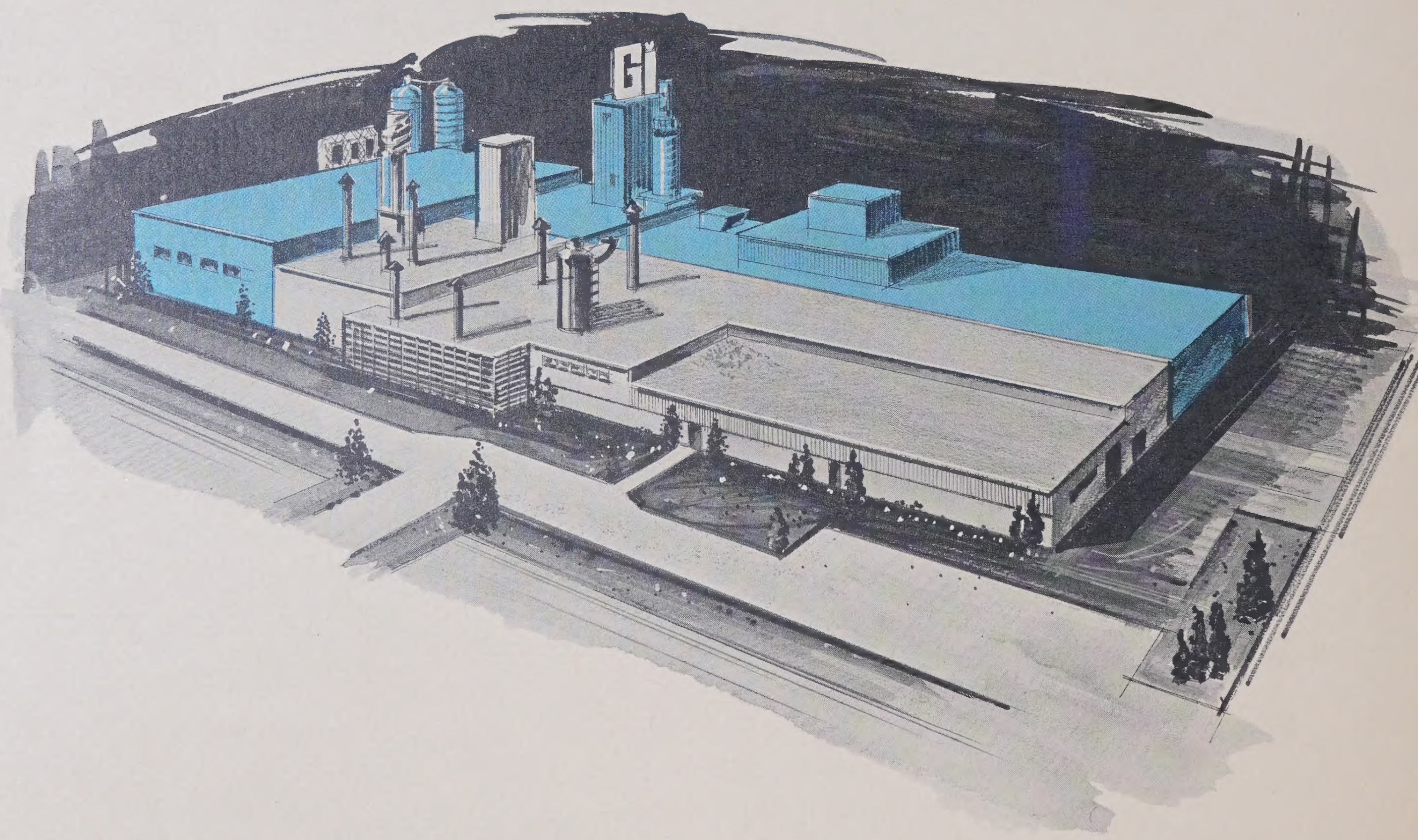
3 Tower enclosing complete automatic sand preparation system.

4 Storage silos for moulding and core sand. These are designed to receive sand from rail cars by means of a hopper system. Pneumatic transporters convey the sand from the silos to the central automatic sand preparation system.

5 Central substation and switch gear to supply low and high voltage current for the electric melting furnaces and all other plant equipment.

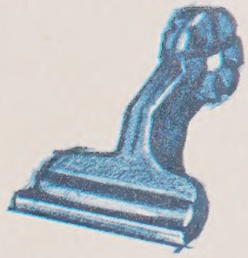
6 Conventional cupola in existing operation for melting iron. This will be taken out of service when the coreless electric induction melting furnaces become fully operative.

7 Penthouse for the controlled gas atmosphere equipment in the heat-treating department.



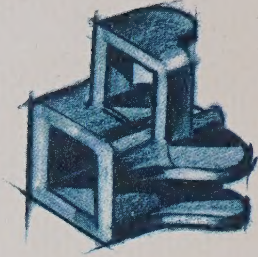
Artist's concept of the expanded Brantford foundry showing the 1970 additions.

GALT MALLEABLE IRON LIMITED



Directors	D. L. Chandler
	H. C. Mackay
	H. J. Murphy, Q.C.
	R. W. Navarre
	F. W. Simpson
Officers	D. L. Chandler, *Chairman of the Board*
	H. C. Mackay, *President*
	F. W. Simpson, *Secretary-Treasurer*
	C. A. Thompson, *Vice-President, Foundry Sales*
	N. A. Jones, *General Manager, Foundry Divisions*
	R. L. Petersen, *Assistant Secretary-Treasurer*
Bankers	Royal Bank of Canada
Solicitors	Garvey, Ferriss & Murphy
Transfer Agents and Registrars	Guaranty Trust Company of Canada, Toronto
Auditors	Thorne, Gunn, Helliwell & Christenson, *Chartered Accountants*
Head Office	60 Kerr Street, Galt, Ontario

GALT MALLEABLE IRON LIMITED
and subsidiary companies



Five Year Financial Review

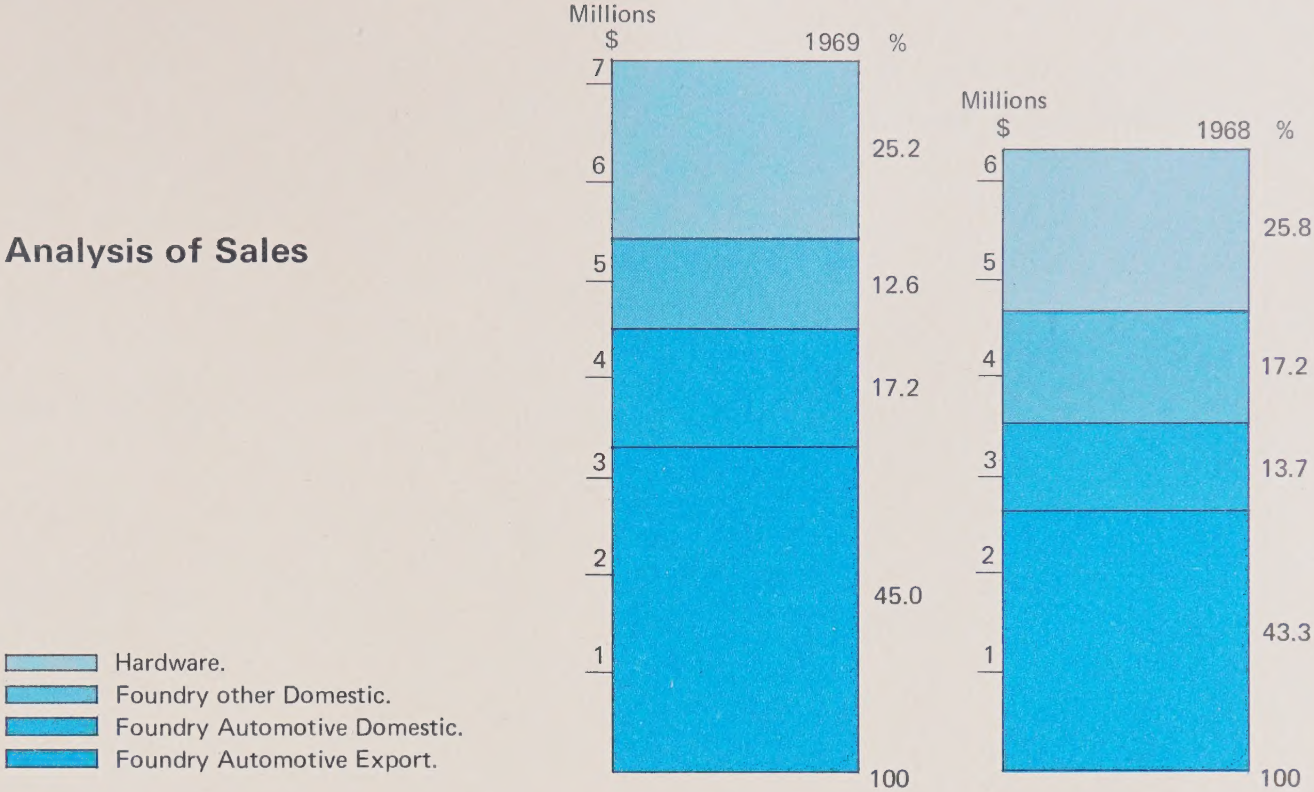
	1969	1968	1967	1966*	1965†
Statement of Income					
Sales	**$7,242,867**	$6,250,797	$5,228,356	$5,116,731	$3,391,599
Income before undernoted items	**1,048,458**	979,313	831,593	692,800	372,209
Profit on disposal of fixed assets			4,499		
	1,048,458	979,313	836,092	692,800	372,209
Depreciation	**170,949**	153,998	150,907	158,234	67,375
Amortization of deferred financial expense	**790**	790	790		
Interest on long-term debt:					
First mortgage income bonds	**51,119**	82,169	93,616		
Other	**37,435**	28,811	36,420	50,340	26,853
	260,293	265,768	281,733	208,574	94,228
Income before income taxes and extraordinary items	**788,165**	713,545	554,359	484,226	277,981
Income taxes	**441,159**	159,417	214,117	280,879	142,803
Income before extraordinary items	**347,006**	554,128	340,242	203,347	135,178
Extraordinary items	**177,850**				
Net income for the year before dividends to minority shareholders	**524,856**	554,128	340,242	203,347	135,178
Preference share dividends to minority shareholders of subsidiary company	**15,780**	23,400			
Net income for the year	**$ 509,076**	$ 530,728	$ 340,242	$ 203,347	$ 135,178
Financial and Other Information					
Working capital (deficiency)	**1,020,869**	564,811	349,379	214,054	(518,384)
Working capital ratio	**1.67-1**	1.56-1	1.24-1	1.20-1	.62-1
Long-term debt	**2,774,600**	1,269,400	1,465,000	1,662,365	562,500
Number of shares outstanding—first preference	**336**	336	366	423	608
—second preference	**309**	309	334	397	427
—common‡	**522,000**	520,000	476,000	476,000	400,000
Preference shareholders' equity	**64,500**	64,500	107,121	120,478	144,557
Common shareholders' equity	**2,555,672**	2,110,843	1,581,014	1,248,140	980,736
Total shareholders' equity	**2,620,172**	2,175,343	1,688,135	1,368,618	1,125,293
Earnings per common share‡	**.97**	1.01	.71	.42	.34
Common share return on common equity	**19.8%**	24.9%	21.2%	15.9%	13.1%

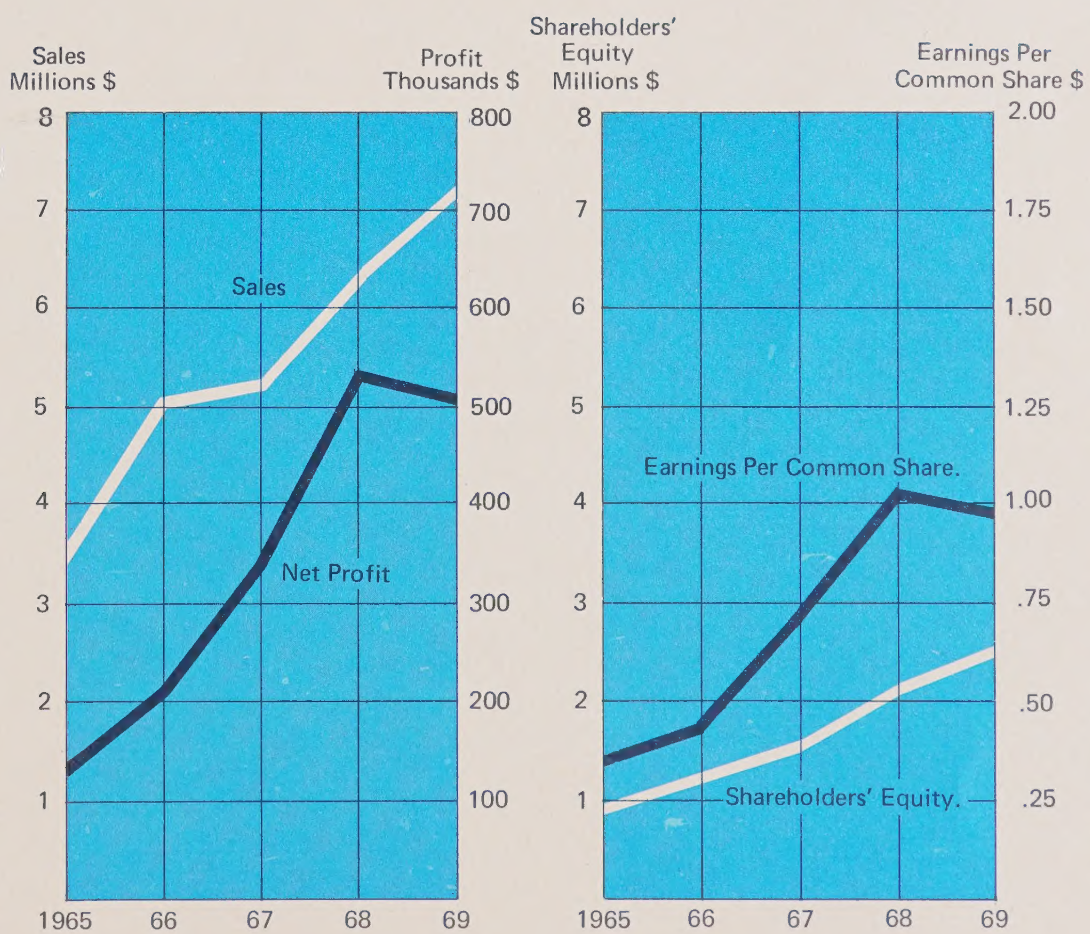
*The figures for 1966 are the consolidated operating results of Galt Malleable Iron Limited for the fourteen months ended December 31, 1966, and Galt-Brantford Malleable Limited for the twelve months ended January 13, 1967.

†The figures for 1965 are the consolidated operating results of Galt Malleable Iron Limited for the twelve months ended October 31, 1965, and Galt-Brantford Malleable Limited for the period from June 30, 1965, the date of incorporation, to January 13, 1966.

‡Including extraordinary items. The figures for 1965 have been adjusted to reflect the subdivision of common shares effected in 1966.

Analysis of Sales





Note:
Lower profit figures for 1969 reflect the effect of the end of the three year tax free period enjoyed up to now by Galt-Brantford Malleable Limited.

Report to Shareholders

At a time when much publicity is being given to the adverse effects of anti-inflationary measures on the North American economy, your directors are pleased to report that, for Galt Malleable Iron Limited, 1969 was a successful year and that sales during the first quarter of the current year continue on an upward trend.

Financial Results

This report includes the consolidated financial statements for the year ended Jan. 13, 1970, in respect of Galt-Brantford Malleable Limited and for the period ended Dec. 31, 1969, with regard to Galt Malleable Iron Limited and its wholly-owned subsidiary, GMI Properties Limited.

These statements, together with the five-year financial review, highlight the fact that sales in 1969 reached the highest level in your company's history and that the profitability of its operations was maintained.

Total sales in 1969 amounted to $7,242,867, an increase of 16% over the previous year. Earnings before income taxes and extraordinary items reached a record $788,165, an increase of more than 10% over 1968. However, a heavier tax burden, coupled with higher depreciation, reduced after-tax income to 97¢ per share compared to $1.01 in the preceding year.

The decrease in net profit for 1969 was due mainly to the termination of the three-year tax free period enjoyed up to now by Galt-Brantford Malleable Limited. Deferred income taxes and expenses connected with the expansion program reduced per share earnings by 13¢. A cash flow of $1.40 per share in 1969 compares favorably with $1.32 in 1968, reflecting the company's continued progress.

The financial strength of Galt Malleable is demonstrated by an increase in working capital from $564,811 in 1968 to $1,020,869 at the end of the 1969 fiscal year. At a time of tight money and high interest rates, this increase is of special importance. A healthy cash position enabled the directors to declare and pay your company's first common stock dividend of 15¢ each for shares outstanding on December 31, 1969. Preference share dividends amounting to $19,727 were also paid during the year.

Capital expenditure during 1969, including the amount spent in connection with the Brantford plant expansion, amounted to $1,635,605.

Included in this report are four graphs illustrating the company's progress over the last five years, as well as a breakdown of sales for 1969 and 1968.

The Automotive Market

The United States-Canada Automotive Products Agreement, which permits movement of specific products without duty between parts manufacturers and automotive assemblers across the border, continues to be a stimulating factor in the development and growth of Galt Malleable Iron.

Notwithstanding a drop in passenger vehicle production in North America during the last quarter of 1969, our automotive sales increased both in dollar value and in percentage of total sales.

In addition, and as a result of sustained marketing efforts during 1969, your company diversified its accounts structure further by moving into the field of castings for trucks. These parts accounted for more than 10% of our automotive sales for the year.

In the highly competitive North American market for automotive castings, a satisfactory return on investment can only be maintained if vigorous marketing efforts are supported by advanced production equipment and techniques which allow for substantial reductions in unit costs.

Based on this fundamental consideration, the decision of your directors to expand and further improve the Brantford foundry appears to be fully justified. Management is convinced that the new facilities will strengthen the company's ability to compete successfully in widely diversified areas of the North American castings market.

Foundry Expansion

The current expansion program for the Brantford foundry is complete. The plant is presently in its final break-in period, preparatory to full production.

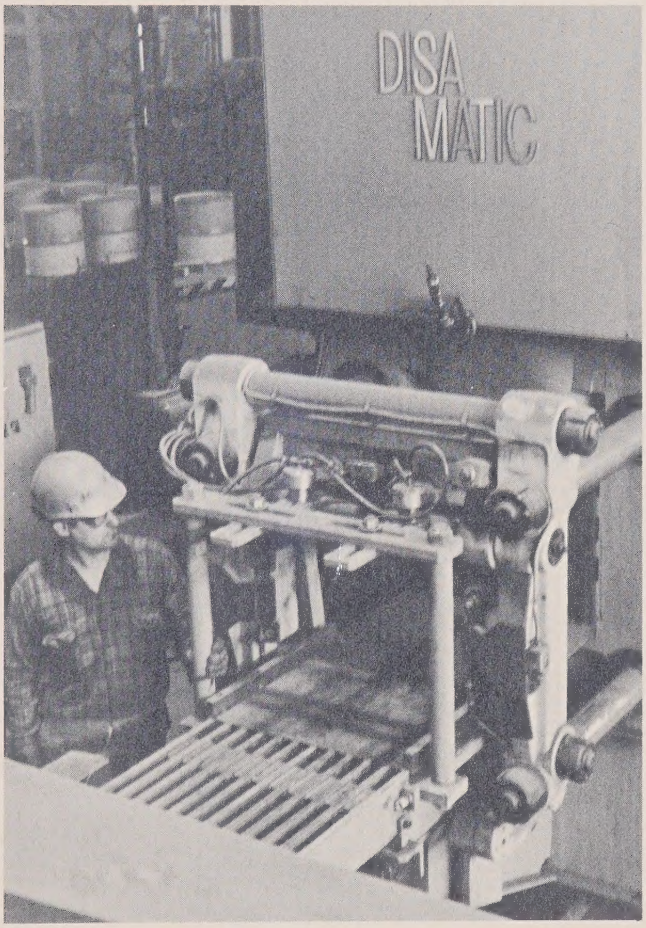
The new facilities consist of the most modern and efficient moulding, melting and heat-treating equipment, incorporating all advanced design concepts.

These additions, together with the second annealing furnace which was installed towards the end of last year, will bring the capacity of the Brantford plant to 13,000 tons of malleable castings per year when operating on a two-shift basis.

Your company's total productive capacity will be increased by close to 60%, from 12,000 to 19,000 tons of castings per year.

The capital expenditure for this stage of the program, as authorized by your directors, was $2,896,000 of which to

The new Disamatic automatic sand mould-making machine from Denmark is now in operation at the Brantford foundry.



date, $1,535,247 has been disbursed. It is expected that the project will be completed within budget.

Additional new production equipment scheduled for installation in the current year and included in the authorized capital program, will further increase your company's capacity.

This will complete the full expansion of the Brantford plant as projected by the company's board early in 1969.

With a two-year labour contract just concluded, your management is looking forward to a highly successful operation at the Brantford plant.

Outlook for the Current Year

As mentioned earlier in this report, your company's sales have continued to grow during the first quarter of the current year. Preliminary figures for the first three months of the year are 8% higher than those for the same period in 1969.

Though obviously not immune to the effects of a temporary contraction in the demand for passenger vehicles, Galt Malleable is expected to continue in its pattern of steady growth for the remainder of the current year. Negotiations recently concluded have resulted in a large new contract for malleable iron castings for trucks. This encouraging event is prompting your management to continue its aggressive marketing policy aimed at further product diversification.

Following an intensive period of plant and personnel reorganization, the hardware division showed a significant improvement over 1968 performance in sales and earnings. This progress was achieved in spite of severe contractions in the construction industry. While the directors are aware that 1970 will be a year of great competitive pressures, they are confident that the hardware division will maintain its forward momentum. New products introduced this year should also contribute to increased sales volume.

In summing up, the directors believe that 1970 will be another profitable year for your company. Barring an unexpected major deterioration of overall economic conditions, Galt Malleable Iron Limited should be able this year to take full advantage of its corporate strength, its marketing ability and its highly competitive production facilities.

As in previous years, your directors would like to pay tribute to all employees for the part they have played in the growth of the company during 1969. Their contribution of loyalty and hard work is greatly appreciated.

On behalf of the Board,

D. L. Chandler — H. C. Mackay

D. L. CHANDLER,
Chairman

H. C. MACKAY,
President

Galt, Ontario
March 16, 1970

GALT MALLEABLE IRON LIMITED
(Incorporated under the laws of Ontario)
and subsidiary companies

Consolidated Balance Sheet · December 31, 1969

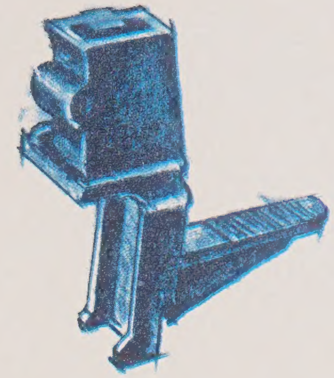
(with comparative figures at December 31, 1968)

ASSETS	1969	1968
CURRENT ASSETS		
Cash		$ 2,631
Marketable securities, at cost (quoted market value 1969, $28,950; 1968, $37,381)	$ 41,714	36,772
Accounts receivable	874,268	811,067
Advances receivable on long-term debt	821,375	
Income taxes recoverable	8,859	
Inventories (note 3)	778,369	693,669
Pattern charges recoverable		7,441
Prepaid expenses	15,805	29,673
	2,540,390	1,581,253
OTHER ASSETS		
Investments, at cost	210,000	210,000
Life insurance, cash surrender value	6,000	
Special refundable tax	918	3,110
	216,918	213,110
FIXED ASSETS (note 4)		
Land	95,079	95,079
Buildings	1,713,897	1,699,457
Machinery and equipment	2,656,320	2,456,231
Railway siding	3,951	3,951
Construction work in progress	1,398,982	
	5,868,229	4,254,718
Less accumulated depreciation	1,340,720	1,189,735
	4,527,509	3,064,983
DEFERRED FINANCIAL EXPENSE, at cost less amortization	51,783	3,946
	$7,336,600	$4,863,292

Approved by the Board

H. C. MACKAY, Director

F. W. SIMPSON, Director



LIABILITIES

	1969	1968
CURRENT LIABILITIES		
Bank advances, against which book debts and inventories have been pledged	**$ 212,798**	$ 303,908
Accounts payable and accrued liabilities	**931,889**	442,357
Dividends payable	**78,300**	
Income and other taxes payable	**107,234**	199,977
Principal due within one year on long-term debt	**189,300**	70,200
	1,519,521	1,016,442
LONG-TERM DEBT (note 5)	**2,774,600**	1,269,400
DEFERRED INCOME TAXES (note 2)	**159,307**	123,107
MINORITY INTEREST IN PREFERENCE SHARES OF GALT-BRANTFORD MALLEABLE LIMITED	**263,000**	279,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 6)		
Authorized		
2,836 6% Cumulative sinking fund first preference shares, par value $100, redeemable at up to $105 per share		
809 6¼% Cumulative participating second preference shares, par value $100, redeemable at up to $105 per share		
800,000 Common shares without par value		
Issued		
336 First preference shares	**33,600**	33,600
309 Second preference shares	**30,900**	30,900
522,000 Common shares (520,000 shares in 1968)	**632,702**	614,702
	697,202	679,202
CONTRIBUTED SURPLUS	**130,980**	130,980
RETAINED EARNINGS	**1,791,990**	1,365,161
	2,620,172	2,175,343
	$7,336,600	$4,863,292

COMMITMENTS (note 7)

GALT MALLEABLE IRON LIMITED

and subsidiary companies

Consolidated Statement of Income

Year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968
Sales	$7,242,867	$6,250,797
Income before undernoted items	1,048,458	979,313
Depreciation	170,949	153,998
Amortization of deferred financial expense	790	790
Interest on long-term debt		
First mortgage income bonds (note 5)	51,119	82,169
Other	37,435	28,811
	260,293	265,768
Income before income taxes and extraordinary items	788,165	713,545
Income taxes (note 2)	441,159	159,417
Income before extraordinary items	347,006	554,128
Extraordinary items (note 8)	177,850	
Net income for the year before dividends to minority shareholders	524,856	554,128
Dividends on preference shares paid to minority shareholders of subsidiary company	15,780	23,400
NET INCOME FOR THE YEAR	$ 509,076	$ 530,728

Consolidated Statement of Retained Earnings

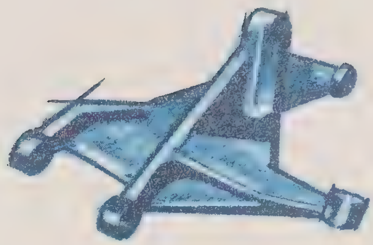
Year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968
Balance at beginning of year	$1,365,161	$ 915,988
Add		
Net income for the year	509,076	530,728
Discount on bonds purchased for cancellation		4,050
	1,874,237	1,450,766
Deduct		
Dividends		
First preference shares (including arrears of $18,512 in 1968)	2,016	20,766
Second preference shares (including arrears of $18,089 in 1968)	1,931	20,272
Common shares	78,300	
Adjustment of prior years' income taxes (note 9)		44,567
	82,247	85,605
BALANCE AT END OF YEAR	$1,791,990	$1,365,161

Consolidated Statement of Contributed Surplus

Year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968
Balance at beginning of year	$ 130,980	$ 130,537
Discount on preference share redemptions		443
BALANCE AT END OF YEAR	$ 130,980	$ 130,980



Consolidated Statement of Source and Application of Funds

Year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968
SOURCE OF FUNDS		
Income before extraordinary items	$ 347,006	$554,128
Items not involving current funds		
Depreciation and amortization	171,739	154,788
Deferred income taxes	214,050	(18,283)
	732,795	690,633
Issue of common shares	18,000	43,092
Advances on long-term debt	1,717,600	10,800
Special refundable tax	2,192	5,732
Sale of fixed assets	2,130	400
	2,472,717	750,657
APPLICATION OF FUNDS		
Additions to fixed assets	1,635,605	104,813
Long-term debt paid or included in current liabilities	212,400	202,350
Dividends on		
Preference shares	3,947	41,038
Common shares	78,300	
Dividends on preference shares paid to minority shareholders of subsidiary company	15,780	23,400
Deferred financial expense	48,627	
Life insurance, cash surrender value	6,000	
Preference shares redeemed		
By parent company (par value $5,500)		5,057
By subsidiary company	16,000	111,000
Adjustment of prior years' income taxes		44,567
Payment relating to restoration of gravel site		3,000
	2,016,659	535,225
INCREASE IN WORKING CAPITAL	456,058	215,432
WORKING CAPITAL AT BEGINNING OF YEAR	564,811	349,379
WORKING CAPITAL AT END OF YEAR	$1,020,869	$564,811

Notes to Consolidated Financial Statements

Year ended December 31, 1969

1. Basis of Consolidation

The subsidiary companies are G.M.I. Properties Limited, a wholly owned subsidiary, and Galt-Brantford Malleable Limited, a controlled subsidiary.

2. Income Taxes

	1969	1968
Current	$227,109	$177,700
Deferred	214,050	(18,283)
	$441,159	$159,417

(a) Prior to January 13, 1969 Galt-Brantford Malleable Limited was exempt from income taxes for a three year period because the company was operating in a designated area. Deferred income tax charges were not recorded relating to depreciation provided in the accounts since the inception of the company and available as a deduction for income tax purposes after January 13, 1969. Deferred income tax charges were likewise not recorded on a loss carried forward of $29,869 from 1966.

(b) In the current year Galt-Brantford Malleable Limited has changed its basis of accounting for income taxes by adopting the tax allocation basis under which earnings are charged with income tax deferrals resulting from claiming capital cost allowance in excess of depreciation recorded in the accounts.

The company and its subsidiaries now account for income taxes on the tax allocation basis.

(c) With respect to Galt-Brantford Malleable Limited, the accumulated total of income tax reductions relating to depreciation provided in the accounts for the years ended January 13, 1967 to 1969 amounting to $161,900 has been reflected as an extraordinary item in the statement of income rather than as a prior period adjustment in the statement of retained earnings. The net income for the year ended January 13, 1970 is $161,900 greater than it would have been had this income tax reduction been credited to retained earnings. The net income for the year ended January 13, 1969 is $55,199 less than it would have been had the figures been restated to give effect to the change in the basis of accounting for income taxes adopted for the year ended January 13, 1970.

3. Inventories

	1969	1968
Raw materials and supplies	$364,410	$338,587
Work in process	207,137	186,399
Finished goods		
Manufactured	89,489	63,201
Purchased for resale	117,333	105,482
	$778,369	$693,669

Raw materials and supplies and finished goods purchased for resale are valued at lower of cost and replacement cost. Work in process and finished goods manufactured are valued at lower of cost and net realizable value.

4. Fixed Assets

Buildings, machinery and equipment are valued at appraised values at May 3, 1956, with subsequent additions at cost. Other fixed assets are at cost.

5. Long-Term Debt

	1969	1968
5¼% First mortgage sinking fund bonds due July 1, 1976	$ 250,000	$ 252,000
5½% General mortgage sinking fund bonds due July 1, 1981	230,000	230,000
	480,000	482,000
Less bonds purchased by the company and not yet cancelled		2,000
	480,000	480,000
First mortgage income bonds due January 15, 1974		
6¼%	700,000	780,000
6½%	58,000	70,000
7¼% Debenture due August 15, 1982 (to be increased up to $2,325,000)	1,288,200	
10% First mortgage bonds due June 15, 1982 (to be increased up to $775,000)	429,400	
Mortgage payable due January 2, 1977	8,300	9,600
	2,963,900	1,339,600
Less principal included in current liabilities	189,300	70,200
	$2,774,600	$1,269,400

Payment of interest on the income bonds is limited to the amount of retained earnings of Galt-Brantford Malleable Limited before payment of such interest. Based on retained earnings available, full interest expense for 1969 was provided. Interest expense of $82,169 was provided in 1968 of which $57,061 related to 1968 and $25,108 to 1967.

The company and its subsidiaries have agreed to certain regulation of the following activities:

(a) Investments

(b) Purchase and disposal of fixed assets

(c) Issue of long-term debt
(d) Issue and redemption of capital stock
(e) Payment of dividends

Principal on long-term debt due within each of the next five years is as follows:

1970	$189,300
1971	363,850
1972	372,500
1973	372,500
1974	693,500

6. Capital Stock

As part of the consideration of a subsidiary company's financing arrangement, the company in 1969 issued to the lender, 2,000 fully paid common shares of its capital stock. During 1968 the company issued 44,000 common shares for cash.

7. Commitments

Galt-Brantford Malleable Limited is committed to capital expenditure to complete construction work in progress in the approximate amount of $1,300,000. Related long-term financing has been arranged (see note 5).

8. Extraordinary Items

The extraordinary items relate to Galt-Brantford Malleable Limited and consist of the following:

Income tax reductions relating to depreciation provided for the years ended January 13, 1967 to 1969 (note 2(c))	$161,900
Income tax reduction realized on carry forward of the loss for 1966	15,950
	$177,850

9. Adjustment of Prior Years' Income Taxes

G.M.I. Properties Limited was assessed in 1966 for the years 1964 and 1965 on the basis of having received a benefit on the acquisition of fixed assets from the parent company. The subsidiary company appealed the assessment and contended that taxes and interest paid amounting to $196,493 should be refunded. During 1968 the subsidiary company was re-assessed for these years and as a result taxes amounting to $44,567 (1964, $17,850; 1965, $26,717) have been charged to retained earnings.

10. Other Statutory Information

Remuneration of directors and senior officers for the current year is $131,674 ($118,785 in 1968).

Auditors' Report

To the Shareholders of
Galt Malleable Iron Limited

We have examined the consolidated balance sheet of Galt Malleable Iron Limited and subsidiary companies as at December 31, 1969 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

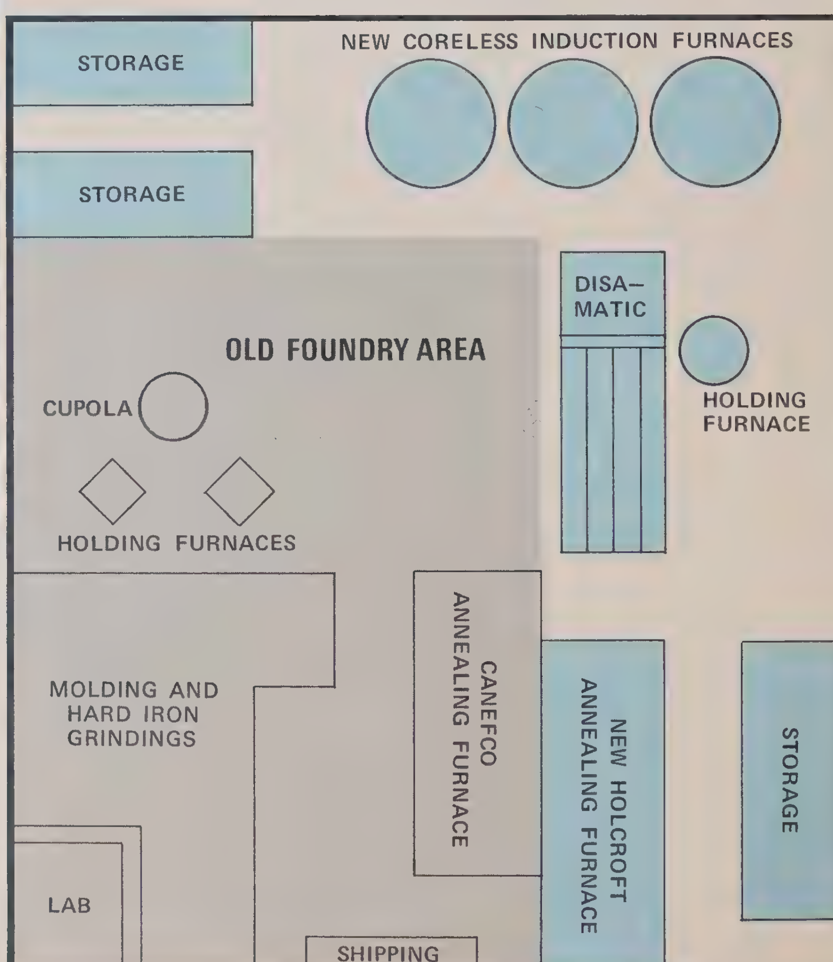
In our opinion, except with respect to an income tax reduction of $161,900 as set out in note 2(c), these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting practice explained in note 2(b) with which change we concur.

Thorne, Gunn, Helliwell & Christenson
Chartered Accountants

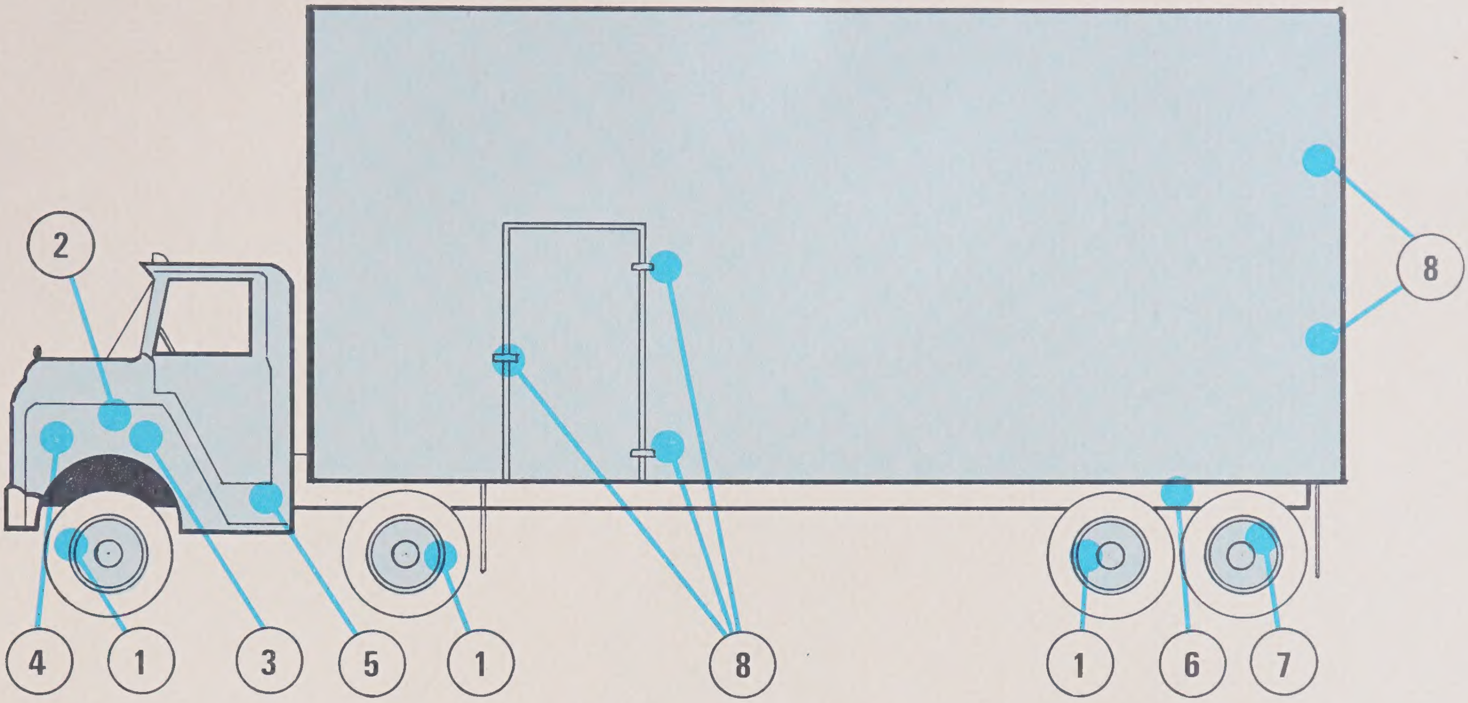
Toronto, Canada
February 21, 1970

The automatic shell core blower recently installed at the Galt foundry.

View from the platform of the sand system tower at the new Brantford facility, looking down on the gas atmosphere equipment penthouse.

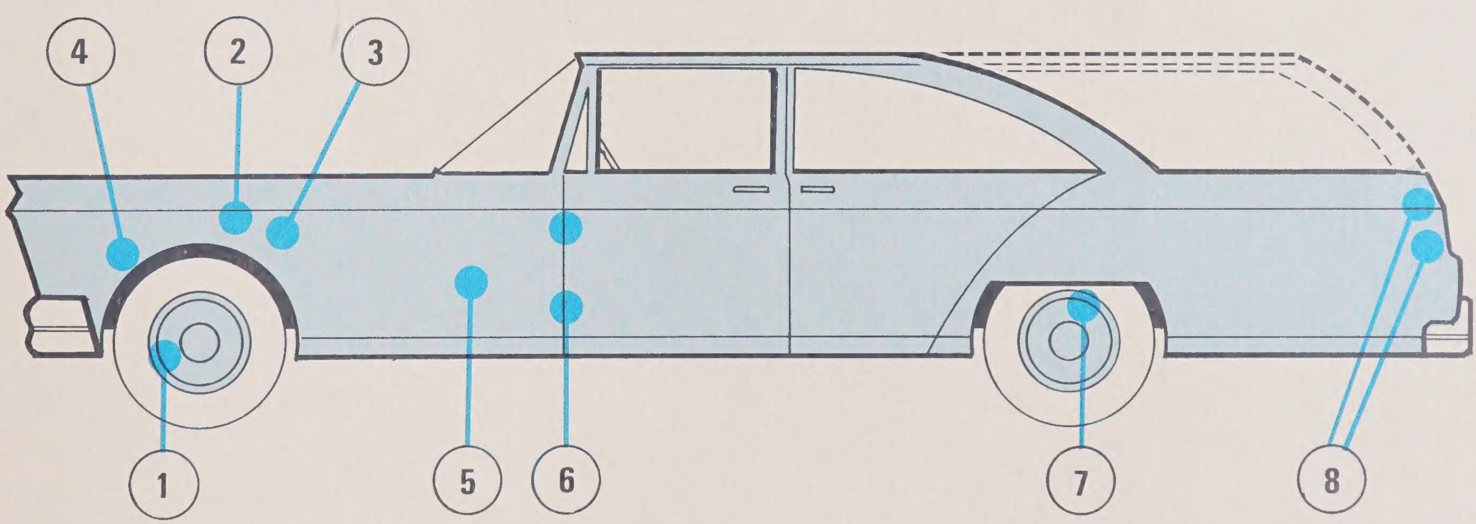


Simplified diagram floor plan – not to scale – of the Brantford foundry showing location of equipment in the new area added to the facility.



1 Rim Clamps
2 Steering Gear Housing
3 Generator Bracket
4 Crankshaft Vibration Damper Hub

5 Transmission Drive Parts
6 Spring Hangers and Spacers
7 Rear Axle Parts
8 Truck Body Hardware



1 Disc Brake Parts
2 Air Conditioner Bracket
3 Alternator Bracket
4 Crankshaft Vibration Damper Hub

5 Transmission Drive Parts
6 Door Hinges
7 Rear Axle Parts
8 Tailgate Parts

castings on North American highways

GALT, ONTARIO

Work is currently in progress on the second, major part of the program aimed at more than doubling the plant's previous capacity of 6,000 tons. Your management expects that this phase will be completed by spring of next year when the Brantford plant will reach a rated capacity of 13,000 tons of castings per year.

This expansion, involving a capital outlay of some $2,750,000, is being financed partly out of the company's earnings and partly through borrowings at current high interest rates.

Galt Malleable Iron has gained for itself an excellent reputation among North American automotive manufacturers both for quality and dependability. The acceptance of your company's products by the industry is demonstrated by a steadily growing order volume.

Your company's hardware division continues to make good progress in the domestic market and its profitability has shown marked improvement over comparable last year's results.

Barring unforeseen circumstances affecting our economy as a whole, your directors hope that the company will be able to maintain in the second half of the current year the established trend of continuing steady growth in sales and earnings.

On behalf of the board,

Chairman of the Board

President

August 11, 1969

file

GALT MALLEABLE IRON LIMITED

60 KERR STREET, GALT, ONTARIO

file

GALT MALLEABLE IRON LIMITED

519 — 621-5710

INTERIM REPORT

for the six months ended June 30, 1969

GALT MALLEABLE IRON LIMITED
and its Subsidiary Companies

To the Shareholders:

A continuing upward trend in sales and earnings is reflected in your company's consolidated financial statements for the six months of operations ended June 30, 1969.

Sales in the period amounted to $3,725,753 with net earnings rising to $359,610 as compared to $3,247,576 and $323,603, respectively, for the first half of 1968.

Earnings per share rose from 62¢ to 69¢, or 11%, notwithstanding an increase in the number of outstanding common stock from 516,000 to 520,000 shares. Working capital on June 30, 1969, was $881,896 as compared to $590,703 a year earlier.

Although these results are gratifying, your management is concerned about the growing cost of manufacturing. High cost of borrowing, rising wage rates, and mounting cost of materials, power and services, put heavy pressure on unit costs and profit margins.

Your directors are making a major effort to offset the effect of these forces by internal economies and by increased operating efficiencies in the foundries, the brass and hardware division and in the company's administration.

The previously announced expansion program of your company's Brantford plant is proceeding on schedule and shareholders may be pleased to know that its first phase, comprising the installation of a new annealing furnace, was completed in June of this year. The unit, housed in a newly erected addition to the plant building, is now in operation and will increase by 15% the productive capacity of the Brantford plant.

Consolidated Financial Data

	Six Months Ended June 30, 1969	Six Months Ended June 30, 1968
Sales	$3,725,753	$3,247,576
Income before undernoted items	608,231	527,741
Depreciation	82,150	67,493
Interest on long-term debt:		
First mortgage income bonds	23,464	36,153
Other	12,890	16,849
	118,504	120,495
Income before income taxes	489,727	407,246
Income taxes	130,117	83,643
Net income for the period	$ 359,610	$ 323,603
Common shares outstanding	520,000	516,000
Earnings per common share	69¢	62¢

Consolidated Statement of Source and Application of Funds

	Six Months Ended June 30, 1969	Six Months Ended June 30, 1968
Source of Funds:		
Operations:		
Net income for the period	$ 359,610	$ 323,603
Items not involving a current outlay (inflow) of funds:		
Depreciation	82,150	67,493
Reduction of deferred income taxes	(7,200)	(11,400)
Special refundable tax	(2,601)	
Issue of capital stock by parent company		30,000
Net income of subsidiary not consolidated in interim statements	7,120	5,513
	$ 439,079	$ 415,209
Application of Funds:		
Additions to fixed assets	$ 73,282	$ 50,636
Reduction of non-current portion of long-term debt	46,700	55,000
Discount on purchase of bonds		(2,700)
Preference shares redeemed:		
by parent company (par value $1,000)		1,000
by subsidiary company from minority shareholder		30,000
Payment of preference share dividends	1,972	39,063
Provision for restoration of gravel site		3,000
Special refundable tax		(2,114)
	$ 121,954	$ 173,885
INCREASE IN WORKING CAPITAL POSITION	$ 317,085	$ 241,324
WORKING CAPITAL AT BEGINNING OF PERIOD	$ 564,811	$ 349,379
WORKING CAPITAL AT END OF PERIOD	$ 881,896	$ 590,703